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SENATE BILL 630 By
Person

HOUSE BILL 840
By Walley

AN ACT to amend Tennessee Code Annotated, Title 56, to prohibit managed care organizations from avoiding liability for their actions, thereby protecting consumer rights in their health care plans.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 7, is amended by adding the following:

Section (a) "Managed care plan" means a health service plan providing for the financing and delivery of health care services, including mental health and substance abuse services, to individuals or groups enrolled in such plans through (1) contractual arrangements with selected providers to provide mental health and substance abuse services, (2) organizational arrangements for ongoing quality assurance, utilization review programs, dispute resolution, and other self-regulatory procedures, (3) financial incentives for persons enrolled in the plan to use the participating providers and procedures provided for by the plan, (4) explicit guidelines for the selection of participating providers, and (5) are commonly offered to individuals or groups with discounted fees or capitated, risk-sharing arrangements of the sort commonly known as preferred provider plans, health maintenance organizations, or other similarly structured entities.

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(b) Managed care plans and those individuals or entities employed by these plans for the purpose of reviewing claims for services rendered or to be rendered shall not hold themselves harmless from liability nor require any provider to defend or indemnify the plan on those cases in which denial for services or prematurely terminated care resulted in harm to the patient.

(c) Managed care plans are prohibited from requiring health service providers to sign contracts that release the managed care companies from liability and which require any provider to defend or indemnify the plan on those cases in which denial for services or prematurely terminated care resulted in harm to the patient.

(d) Any language in existing contracts between managed care companies, health service providers or their respective agents shall not prevent patients who believe they have been harmed by managed care decisions from seeking legal action against the appropriate parties.

SECTION 2. This act shall take effect July 1, 1997, the public welfare requiring it. The provisions of this act shall apply to contracts entered into or renewed on or after July 1, 1997.